

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER COMPANY and IES UTILITIES INC.	DOCKET NOS. ARC-01-150 ARC-01-151
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**ORDER REQUIRING JOINT FUEL PROCUREMENT PLAN
FILING AND ADDITIONAL INFORMATION**

(Issued January 19, 2001)

Rule 199 IAC 20.13(1) requires the Utilities Board (Board) to periodically conduct a contested case proceeding for the purpose of evaluating the reasonableness and prudence of a rate-regulated public utility's fuel procurement and contracting practices. The rule further provides the Board is to notify a utility by January 31 if it intends for the utility to file a fuel procurement plan for that year. The utility must then file its plan on or before May 15.

The energy adjustment clause (EAC) filings by IES Utilities Inc. (IES) and Interstate Power Company (Interstate), the two public utility affiliates of Alliant Energy (Alliant) providing retail service to Iowa customers, indicate that increases in natural gas prices and wholesale power purchases will likely result in significant increases in the costs passed through the two utilities' EACs. For example, Interstate's purchased power costs for the period of September to November, 2000, were approximately 17 percent higher than during the same period in 1999. (See

File No. EAC-00-35.) Because of the potential size of these increases and Alliant's apparent increased reliance on the short-term power market, particularly after expiration in April of this year of two long-term power contracts totaling 255 MW, the Board will require Alliant to file a fuel procurement plan for IES and Interstate. In addition to the information required by 199 IAC 20.13(1)"a" through "l," Alliant will be required to include the following additional information in its plan:

1. Purchased power contracts and arrangements that will be entered into or exercised by Alliant during the preceding and prospective 12-month period. Purchased power arrangements include all transactions in the short-term wholesale power market.

2. Long-term purchased power contracts expiring within the preceding and prospective 12-month period. Long-term, in this context, is defined as two or more years. For each of these contracts, Alliant should identify the dollar amount of capacity charges included in base rates and the means by which Alliant intends to replace this contracted supply.

3. An updated list of purchased power contracts that are or will become subject to renegotiation, extension, or termination within the next five years. Alliant should also update any price adjustment affecting any of the filed contracts or arrangements.

After reviewing the information filed on or before May 15 for compliance with this order, the Board will docket the filing as a contested case proceeding. A procedural schedule will be set at that time. The Board notes that because of its

concern with Alliant's increased reliance on the high-priced and volatile short-term market for electric power supplies, and the subsequent pass-through of these costs to ratepayers through the EAC, the Board, in addition to this reasonableness and prudence review of IES' and Interstate's contracting practices, is investigating what other actions the Board may take to insure that IES' and Interstate's customers are paying just and reasonable rates for electricity. For example, the Board is examining:

- 1) Whether Alliant's contracting practices have resulted in a violation of the rate freeze agreed to by IES and Interstate in the merger with Wisconsin Power and Light to form Alliant,
- 2) Whether the current EAC flowthrough should be replaced with incentives to reduce fuel costs similar to those that MidAmerican Energy Company is operating under pursuant to a contested case settlement, and
- 3) Whether an adjustment should be made to reflect capacity costs for long-term contracts that will soon be expiring, if those long-term contracts are not replaced.

IT IS THEREFORE ORDERED:

IES Utilities Inc. and Interstate Power Company shall file a joint fuel procurement plan containing the information identified in this order on or before May 15, 2001.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper /s/ Diane Munns
Acting Executive Secretary

Dated at Des Moines, Iowa, this 19th day of January, 2001.